

Bio-Tech Specialty 800 2005 Assessment Year

Industry Overview

As of the end of 2001 there were 170 bio-tech companies in all of Washington employing 15,000 people. Currently there are 175 companies in the Puget Sound Area alone, employing 18,000 local residents. The majority of these companies are in Seattle. The University of Washington and the Fred Hutchinson Cancer Research Center drives many of these companies. They provide the research and technology necessary for bio-tech startups. There were 39 “Science Parks” in the United States in 1980, 270 by 1990 and double that by 2000. There is intense growth in these types of businesses both locally and nationally. The Seattle area is a hotbed in the bio-tech industry. Seattle is currently in the second tier of bio-tech development with the Bay Area and Boston being in the first tier. In King County this type of lab development was expected to grow to 500,000 square feet of space, but by the end of 2005 has grown to well over a million square feet. Total occupancy by these companies is over 5 million square feet.

The Seattle Mayor as well as the Washington State Governor intensely support the development of the bio-tech industry. The growth of funding for institutions like the University of Washington, The Fred Hutchinson Cancer Research Center, SBRI and others indicate industry growth as they acquire, convert and build more bio-tech space.

Identification of Specialty

The bio-tech building market is a mix of newly developed space and converted space. Since biotech requires certain extreme sorts of construction, conversion is only possible in select buildings. Biotech buildings generally have specific requirements to meet their function including:

- ✚ Ceiling heights of 14’-16’.
- ✚ Intensive air conditioning and ventilation.
- ✚ Intensive electrical systems.
- ✚ High load bearing floors.
- ✚ Impervious ceiling, wall and floor surfaces.
- ✚ Hazardous waste containment and disposal.
- ✚ Animal holding facilities. (Vivariums)
- ✚ Lines for compressed air, gas, water, etc.
- ✚ Building rigidity/stability-absence of vibration or movement

Almost all the bio-tech facilities in King County are research laboratories. There is one production plant which manufactures a drug. Production facilities require greater safety measures and have all of the above but to a greater degree.

Appraisal Process

Almost the entire bio-tech specialty population was inspected this year with the owner's representatives. The rental market is quite active but mostly from one company which is specifically a biotech property investor. Within the twenty three Bio-tech specialty properties, five sold in the last three years.

All three approaches to value, market, income and cost, were performed. The income approach was utilized because it represented the best equalization throughout the population.

A ratio study is not recommended because of the size of the population and the limited number of market transactions. Also, the sales were initially analyzed by the office specialty and reside in that analysis at this time. A ratio study does not indicate a true reflection of the assessment/market value ratio.

Rents used were obtained by adjusting asking rents, a rent survey and published rents. The occupancy rate of this population is quite high compared to the general office market. The vacancy rate is 5%. Expenses were determined by a survey. These buildings tend not to be completely full service. Many expenses are picked up by the tenant.

Lab rent range = \$32-\$40 per square foot
Office rent range = \$22-\$30 per square foot
Storage rent = \$12 per square foot
Retail rent = \$23-\$24 per square foot
Expenses=20%
VCL=5%
Cap rate=.08

Total Value Conclusions, Recommendations and Validation:

Appraisal judgment prevails in all decisions regarding individual parcel valuation. Each parcel in the physical inspection neighborhood was field reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood and the market. The appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Executive Summary Report

Appraisal Date: 1/1/05 – 2005 Assessment Roll

Specialty Name: Bio-Tech

Sales – Improved Summary

Number of sales: 5

Range of Sale Dates: 10/3/02 to 8/24/04

Note: These sales were also used in Geo-Area 32 for market analysis.

Valuation Summary

2004 Total Assessed Value	\$607,946,900
2005 Total Assessed Value	\$762,479,900
% Change	25.4%

Number properties (economic units) in population = 16

Number of total parcels in population = 25

Conclusion and Recommendation

The sample size used to determine this assessment/market ratio is below the recommended IAAO sample size. Because of the lack of sales, a reliable conclusion of the data is difficult. But, since the values recommended in this report improves values and improves equity, I recommend posting them for the 2005 Assessment Roll.

Area	Major	Minor	Total NRA	E#	Sale Price	Sale Date	SP/NRA	Property Name	Zone	Par. Ct	Ver. Code	Remarks
800	216390	1160	81,131	1914013	\$ 17,269,890	10/3/2002	\$ 212.86	ZYMOGENETICS	IC-45	1	Y	IMPS CHANGED AFTER SALE
800	408880	2925	107,354	1914010	\$ 34,980,990	10/3/2002	\$ 325.85	ZYMOGENETICS	IC-45	2	Y	
800	199220	0045	31,144	2040380	\$ 5,500,000	5/19/2004	\$ 176.60	NEORX	C2-40	2	Y	
800	338390	0230	128,849	1946269	\$ 34,700,000	3/21/2003	\$ 269.31	1616 EASTLAKE	C1-65	1	Y	
800	766620	2190	178,414	2064727	\$ 52,995,000	8/24/2004	\$ 297.03	ELLIOTT PARK	IC-45	1	Y	
800	198820	1480	106,225	1795012	\$ 25,000,000	12/22/2000	\$ 235.35	UW/FLAME	SM-65	1	Y	IMPS CHANGED AFTER SALE